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UNCLAS MUSCAT 000577

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SUBJECT: CONFERENCE SPOTLIGHTS OMAN'S ENERGY CHALLENGES

REF: 05 MUSCAT 1673

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SUMMARY  
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1. At the Muscat-hosted 2006 Oil and Gas West Asia Exhibition and Conference on April 9, Omani government and oil company officials focused remarks on meeting Oman's energy needs and oil production challenges through increased investment in technology and human resources. Meanwhile, the Dolphin Project remains on track to deliver gas to Oman in 2008, transforming Oman from a net supplier to net consumer. End Summary.

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INVESTMENT NEEDED  
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2. On April 9, Dr. Mohammed bin Hamad bin Saif al-Rumhy, Oman's Minister of Oil and Gas, outlined the challenges and opportunities facing Oman's petroleum sector during the opening session of the 2006 Oil and Gas West Asia Exhibition and Conference in Muscat. Rumhy projected robust growth in future demand, citing estimates that today's consumption rate of 84 million barrels per day (bpd) would grow to 138 million bpd by 2030. Rumhy expressed concern that the world's largest oil fields accounted for only 3% of the approximately 4,000 active fields, but produced over 50% of the supply. He remarked that \$500 billion would need to be invested in the Middle East alone to keep oil production at current levels. To this end, Rumhy stated that the Omani government has allocated \$10 billion for investment in enhanced oil recovery (EOR) operations over the next five years, and has awarded the final onshore production concessions, though some offshore blocks remain open. Rumhy also stressed the importance of investment in human resources to uncovering new reserves.

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HEEDING THE CALL  
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3. John Malcolm, Managing Director of Petroleum Development Oman (PDO), and Glenn Vangolenn, General Manager of U.S.-based Occidental Petroleum (Oxy), echoed Rumhy's view that the upcoming challenges will provide opportunities for exploration companies. Malcolm noted that PDO (the majority government-owned oil company that is by far Oman's single largest producer) has turned more aggressively to enhanced oil recovery (EOR) techniques to stem recent production declines. He forecasted PDO introducing one EOR project per year, up from one every two to three years. Vangolenn outlined Oxy's aggressive Oman expansion plans by reaffirming his company's goal of producing 150,000 bpd from its Block 53 Mukhaizna field (acquired in 2005 from PDO) by 2011, announcing the start of production from its Block 27 field by the 3rd quarter of 2006, and highlighting its recent acquisition of the Block 54 field. Oxy is currently Oman's second-largest producer of oil. Both company executives also stressed human resources investment as a priority.

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SECURING MORE GAS  
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4. Ibrahim al-Ansari, Executive Vice President (Operations) for Dolphin Energy, reviewed the status of the Dolphin Gas project, which is expected to deliver almost 2 billion standard cubic feet (scf) per day from offshore Qatar to Oman and the UAE. Oman Oil Company has contracted with Dolphin for 200 million scf per day, much of it to fuel Oman's industrialization of Sohar. The upcoming contract, to begin in early 2008, represents a reversal of roles, as Oman Oil currently supplies Dolphin with 135 million scf per day for power and water plants in Fujairah.

GRAPPO